How to Calculate Oregon's Proposed Corporate Activity Tax Under HB 3427

Determine Tax Base
Gather the total amount "arising from transactions and activity in the regular course of the person's trade or business."

Source Commercial Activity:

- For real property, to the extent the property is in Oregon.
- For the sale of tangible personal property if the property is delivered to a purchaser in Oregon.
- For a sale of a service if the service is delivered to a location in Oregon.
- In the case of a sale of intangible property, if the property is used in Oregon.

Exclude: receipts from the sale of motor fuel oil, cigarettes or tobacco, malt beverages, wine or liquor, and **groceries, among others**.

Apportion the firm's labor costs or cost of inputs paid to other businesses using a **single sales factor.**

Calculate Tax Base:

Or

Taxable receipts minus 35% of labor costs.
Labor costs are the "total compensation of all employees." Excludes compensation paid to any single employee in excess of $500,000.

Taxable receipts minus 35% of cost inputs paid to other businesses
defined as "purchases used in the determination of the cost of goods sold as calculated under section 471 of the Internal Revenue Code."

Either deduction may not exceed 95 percent of the taxpayer's business receipts in this state.

Apply the tax rate:

$250 flat tax for businesses receiving Oregon-sourced receipts

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For Oregon-sourced receipts exceeding **$1 million**, apply a **0.57% levy on taxable Oregon-sourced commercial activity**.

In addition to the Corporate Activity Tax, C corporations must pay Oregon's **Corporate Income Tax**:

Apportion income based on a single sales factor: Add up all sales from Oregon and divide by sales everywhere. Multiply this number by total labor costs or cost of inputs paid to other businesses.

This step is multiple flowcharts worth of calculations.

Apply a **6.6% corporate income tax rate on corporate income up to $1 million.** Apply a **7.6% corporate income tax rate on corporate income above $1 million.**

Final Tax Liability

Remit the tax to Oregon Department of Revenue